

A bill for relief of T. B. Beck, William Custard, A. H. Cook, and Abner Matthews. Read 2nd time and passed to 3rd reading. Rule suspended, read 3rd time and passed.

The Committee on Private Land Claims reported and recommended the passage of a bill for relief of J. P. Plummer. Read and ordered to 3rd reading. Rule suspended, read 3rd time and passed.

A bill making an appropriation for manufacture of Minie balls. Read 2nd time and ordered to a third reading. Rule suspended, read 3rd time and lost by the following vote:

YEAS—Messrs. Branch, Graham, Hartley, Houston, Jordan, Lea, Shelley, and Shepard—8.

NAYS—Messrs. Batte, Beasley, Boyd, Burnett, Casey, Crawford of Fannin, Crawford of Jasper, Erath, Finlay, Guinn, Harcourt, Mitchell, Moore, Parsons, Reed, Scarborough, Selman, Weatherford, and Wheeler—19.

A bill for relief of Levi English. Read 2nd time and passed to 3rd reading. Rule suspended, read 3rd time and passed.

A bill amending an Act creating a pension to Cynthia Ann Parker. Read 2nd time and passed to 3rd reading. Rule suspended, read 3rd time and passed.

A bill for relief of George W. Morris. Read 2nd time and ordered to 3rd reading. Rule suspended, read 3rd time and passed.

A bill for relief of Archibald Hotchkiss. Read 2nd time. Rule suspended, read 3rd time and passed.

A bill for relief of Captain J. J. Good's company. Read 1st and 2nd times and referred to Committee on Military Affairs.

A bill for relief of companies incorporated for purposes of internal improvements on House amendments. The whole referred to Committee on Internal Improvements.

A bill making appropriation to pay commissioners to Indians sent by the Convention. Amendments of House concurred in.

A bill to validate certain land certificates. Read 1st and 2nd times. Rule suspended, read 3rd time and passed.

The Senate then adjourned until 10 o'clock A. M. tomorrow.

Wednesday, January 8, 1862

Senate met pursuant to adjournment. Prayer by the Chaplain, roll called, quorum present. Journal of yesterday read and adopted.

On motion of Mr. Guinn the passage of the bill amending the stay law was reconsidered, and the following amendment was adopted: strike out "and" and "have been" and insert "may be." The bill was then passed.

Resolution from the House concerning the Governor's veto message was read. Mr. Erath moved to lay on table upon which the yeas and nays were ordered, when Mr. Selman moved a call which was sustained.

Mr. Harcourt called from the table a bill to regulate county advertising in certain cases. Read 2nd time and made special order for 3 o'clock P. M.

The Committee on Private Land Claims recommended the passage of a bill for relief of Robert R. Scott. Also the following:

Bill for relief of Charles H. Sims.

Bill for relief of Jarman Carter

Bill for relief of James L. Foster.

The House informed the Senate by message that they had passed a bill appropriating money derived from the State revenue for military purposes.

Mr. Erath introduced a bill to provide for issuing original and duplicate bounty and donation warrants, &c., &c., &c. Read 1st and 2nd times and referred to Judiciary Committee.

Mr. Guinn offered the following resolution: "**Resolved**, That the Secretary of the Senate be required to index the journals of the Senate as well as the papers in his possession as Secretary of the Senate placing the same in proper position so as to form a ready reference to the petitions, bills, and resolutions that have been presented to and acted upon by the Senate at the present session; and that he be allowed five dollars per day for such services while actually employed not to exceed sixty days to be paid out of the contingent fund; and the Secretary be required to send to each Senator a copy of the laws and journals by mail as soon as published, and that he be required to prepare the caption of all bills and resolutions passed by the 9th Legislature and approved by the Governor and have 500 copies printed, and forward to each Senator his proportion." Adopted.

The Senate concurred in, and Messrs. Durant, Parsons, and Erath were appointed a committee on the resolution of the House relative to the Governor's veto message, the call of the Senate thereon having been suspended and Mr. Erath having withdrawn his motion to lay on table.

The revenue bill was taken up on motion of Mr. Guinn, and the general report of Finance Committee was read.

The amendments of committee to the bill to amend the tax laws were all adopted.

Mr. Lea offered the following amendments: The term "property" as above used shall mean money and credits. The term "money" shall include gold, silver, and copper coins, bullion, bank notes, and Confederate notes. The term "credits" shall mean all bank, State, Confederate and corporate stocks, and all partnership, common, or individual claims or demands owing to or coming to any person whether due or not and whether payable in money or other thing. And money and credits owned by any resident of this State, whether such monies or credits be within or without this State, shall be taxed at the rate of taxation for other property. And all monies and credits shall be valued as other property.

Mr. Crawford of Jasper moved to strike out so much of the amendment as refers to money and credits without the State, whereupon Mr. Batte moved to lay on table. A division being called for the amendment was tabled by the following vote:

YEAS—Messrs. Batte, Branch, Crawford of Fannin, Durant, Erath, Finlay, Guinn, Harcourt, Houston, Lea, Mitchell, Moore, Reed, Scarborough, and Shepard—15.

NAYS—Messrs. Beasley, Boyd, Burnett, Crawford of Jasper, Graham, Parsons, Selman, Shelley, and Weatherford—9.

Mr. Crawford of Jasper moved to strike out 25 cents and insert 12½ cents as the rate of taxation. Laid on table. The bill was then ordered to 3rd reading. Rule suspended, read 3rd time and passed.

The Senate then adjourned until 3 o'clock P. M.

3 o'clock P. M.

Senate met, roll called, quorum present.

Mr. Crawford of Jasper offered the following resolution: "**Resolved**, That the resolution adopted authorizing members to call up bills in alphabetical order be rescinded." Adopted.

The vote passing a bill relative to land titles between the Nueces and Rio Grande Rivers was reconsidered as follows:

YEAS — Messrs. Beasley, Branch, Cook, Durant, Finlay, Graham, Harcourt, Houston, Mitchell, Reed, Scarborough, Shelley, Shepard, and Weatherford—14.

NAYS — Messrs. Batte, Boyd, Burnett, Crawford of

Jasper, Guinn, Jordan, Lea, Moore, Obenchain, and Wheeler—10.

The further consideration of the bill was postponed until 7 o'clock P. M.

A bill appropriating money for military purposes. Read 1st time. Rule suspended, read 2nd time.

Mr. Guinn offered the following amendment: "provided that upon the termination of the present war, should it end before the date mentioned in the first section hereof or upon its being determined by the Military Board that any portion of the sum herein set apart will not be required for the purposes herein provided, said portion shall be turned over by said board to the general fund in the Treasury to be used as provided by law; provided further that all liabilities which may have been incurred by said board in accordance with the provisions of this Act shall be fully provided for before any portion of the fund herein set apart shall be used as provided by law."

Mr. Crawford of Jasper offered the following amendment: "and should the war terminate sooner, then the Comptroller shall compute the amount due by the State to its various creditors and shall allow to each creditor pro rata his or her proportional amount of the fund hereby set aside."

After several unimportant motions the bill was referred to Committee on Finance with instructions to report on tomorrow evening.

A message from the House informed the Senate of the passage of the following bills:

A bill to authorize the superintendent of the lunatic asylum to receive Margaret Needham, a lunatic, and to make provisions for the same. Rule suspended. Read 1st, 2nd, and 3rd times and passed.

A bill supplemental to an Act making an appropriation to pay the contingent expenses of the 9th Legislature, passed December 9, 1861. Rule suspended. Read 1st, 2nd, and 3rd times and passed.

The Committee on Enrolled Bills reported the following correctly enrolled, properly signed, and presented to the Governor, viz.:

A bill to create a hospital fund.

A bill to make an appropriation for the payment of commissioners sent to the Choctaw, Cherokee, and other tribes of friendly Indians.

A bill to authorize the county courts to make entry of unconditional headright certificates, &c.

The Committee on Engrossed Bills reported the following bills correctly engrossed, viz.:

A bill to provide for the payment of Captain Good's company of light artillery.

And a bill to exempt the class of persons therein named from work and labor on public roads and highways.

The special order being Mr. Parsons' motion to reconsider the vote indefinitely postponing the bill for relief of Captain Thomas Chubb was laid on table.

The vote laying on the table a bill changing the time of holding the courts in the 9th Judicial District was reconsidered, whereupon Mr. Selman offered a substitute for the bill which was adopted and ordered to be engrossed by the following vote:

YEAS — Messrs. Beasley, Boyd, Branch, Cook, Crawford of Jasper, Darden, Durant, Graham, Houston, Lea, Parsons, Selman, Shelley, Shepard, Weatherford, and Wheeler—16.

NAYS—Messrs. Batte, Burnett, Crawford of Fannin, Erath, Guinn, and Scarborough—6.

The rule was then suspended, bill read 3rd time and passed.

The Committee on Finance made the following report:

The Committee on Finance has considered the several subjects referred to it, involving a general view of the condition and prospects of the Treasury and of measures for legislative consideration; and thereon this general report is respectfully submitted.

CONDITION OF THE TREASURY

The Comptroller's report for the fiscal years 1860 and 1861, partly in precise statements and partly in conjectures, gives much information as to the condition and prospects of the Treasury. As to the accuracy of the conjectures, there are diversities of opinion but not such as to prevent taking the report as a basis subject to modification.

First, it is necessary to know the condition of the Treasury. The report shows at the end of the last fiscal year, August 31, 1861, cash in the Treasury.....\$ 36,262.33
It shows at the same time an outstanding military debt without reckoning interest to the amount of 939,903.63

By the report this would appear to be the balance against the Treasury at that date\$903,641.30

Although the report, in these and other particulars, shows enough for its purposes, yet the data must be further extended in order to get a basis broad enough for practical estimates of necessary revenue and of other resources for the next two fiscal years.

Of the above balance, about the amount of \$300,000.00 in Treasury warrants is bearing interest at the rate of 10 per cent per annum, and it is estimated that such interest accrued to August 31, 1861, was about \$10,000.00. From the report it appears that the Treasury liabilities embrace loans from the University fund, proceeds of University lands, estates, and school fund. In addition, a statement from the Treasury Department gives the present aggregate (with information that it was near the same amount, August 31, 1861) of principal

of these debts\$178,776.14

This aggregate, being composed of loans to the Treasury from certain funds therein deposited, may be considered as entitled to interest from the State as borrower; and a statement from the Treasury Department shows that such interest at the rate of 8 per cent per annum to August 31, 1861, amounts to....

16,338.84 205,164.98

\$1,108,806.28

Of this balance the part due the University fund consists of principal

\$151,098.90

and of interest\$ 14,500.10

165,599.00

\$ 943,207.28

This University part is deducted as not pressing, but all of the balance is urgently demanded from the Treasury, which must look to future receipts for any means of payment.

PROSPECT OF THE TREASURY

From the statement of the condition of the Treasury at August 31, 1861, the balance against it (without excluding the debt to the University) is brought forward

\$1,108,806.28

Looking to subsequent liabilities, the Comptroller's report presents an estimate of ordinary current expenditures for the two fiscal years from that date at\$608,810.00

This amount is subject to such diminution as may be made in ordinary current expenditures, but this deduction may not be safely estimated at more than	\$ 58,810.00	550,000.00
		<hr/> \$1,658,806.18

Of this balance, as before stated, about the amount of \$300,000.00 in Treasury warrants is bearing interest at the rate of 10 per cent per annum, as has been reckoned to August 31, 1861, and this for two years would amount to.....\$ 60,000.00

Of the foregoing, the debt due to the University fund may be considered as entitled to interest at 8 per cent per annum, as has been reckoned to August 31, 1861, and this for two years would amount to\$ 24,175.82

As to the present force of Minute Men, their expenses until about August 31, 1861, are included in the previous balance, being part of the audited amount; but the continuance of their services to March 1, 1862, will require the further expenditure (as the Comptroller estimates) of \$10,000 per month for six months	\$60,000.00	144,175.82
		<hr/> \$1,182,982.10

The balance thus ascertained arises from actions of the Legislature preceding this session

and of the Convention, with the consequent performances, which have been completed and partly audited except as to the extension of services of Minute Men as aforesaid.

At the present session of the Legislature the prospect indicates appropriations for arms and ammunition			\$500,000.00	
for hospital purposes			\$150,000.00	
for minor objects			\$ 50,000.00	700,000.00
				<hr/>
				\$2,502,982.10

But (as stated in making the urgent balance for August 31, 1861) the debt to the University fund may be postponed, and its entire amount of principal and interest is deducted				189,774.82
				<hr/>
				\$2,313,207.28

This presents a practical approximation to the amount of liabilities preceding August 31, 1863, to be regarded as positive and as requiring some reliable provisions for actual payment, currently and fully before that date.

To these certainties must be added some important contingent liabilities. The call of a large militia force into active service for coast defense should be regarded almost as a certainty; and the possibility of failure of the Confederate government to meet the public demand for interior frontier defense must not be disregarded. Each of these burdens might fall on the State in the first instance, and the cost of either can only be conjectured; but neither should be

presumed to come below one and a half million, while the militia expenses might be much greater. For these particulars, say a contingent estimate.....

3,000,000.00

\$5,313,207.28

To meet the liabilities in part, the Comptroller's report estimates the total receipts into the Treasury, including the ten per cent for school fund to the same date, at\$948,765.45

Ten per cent school fund is not revenue for use of the State Treasury and is deducted 94,876.54

\$853,888.91

But this estimate of receipts is based on a tax of sixteen and a half cents on the \$100 of **ad valorem** taxation; and of this rate four cents cannot be applied as ordinary revenue because it is a specific tax for the million loan. The proportion of the four cents of the tax derived from property, is deducted 210,673.25

\$643,215.66

Under the Funding Act of March 20, 1861, "one-tenth of the revenue derivable from direct taxes" is set apart and pledged so that it cannot be used for ordinary purposes, and it makes another deduction 94,876.54

\$548,339.12

This balance includes outstanding arrearages which may be collected during the next two years, as assumed in the Comptroller's report; but

circumstances indicate an increased amount of arrearages, and they may extend much beyond the deduction here made for them as a vague conjecture.

\$ 60,000.00	488,639.12
	<hr/>
	\$4,824,868.16

The foregoing estimates of receipts are based on the assessment of 1861, and the present rates of taxes (excluding the loan tax) together with a supposition that the next two years after August 31, 1861, might average as much as the preceding years allowing additions of taxables and increased sales of land to balance decrease of valuations and occupations.

By a repeal of the Funding Act, with some satisfactory arrangement for liquidating the small amount which has been funded, the ten per cent pledged on that account might be restored to us as ordinary revenue, and so aid to diminish the balance against the Treasury.....

94,876.64
<hr/>
\$4,729,991.62

The contingent estimate may be fortunate enough to be dormant, both as to a call of the militia and as to the regiment for interior frontier defense, and it is here deducted in order to show the unqualified balance

3,000,000.00
<hr/>
\$1,729,991.62

The Comptroller's report shows that the State has a claim against the government of the United States for expenditures in the military defense of the State prior to secession for about \$800,000.00 and another claim against

the Confederate States for like services after secession for about \$500,000.00. But neither claim may be available as means to meet any part of the above balance. Hence taxation and credit are the only resources for current expenses, and the liquidation of the above liability which must press on the Treasury from the present time to the meeting of the next Legislature at regular session. And it is apparent that the revenue on the present basis might be about sufficient to meet the ordinary expenses of the government without making any other payment worthy of consideration in adopting necessary measures of legislation.

FINANCIAL MEASURES

A full view of the condition and prospect of the Treasury was a necessary preparation for considering financial measures. Before proceeding to particulars or details of such measures it is indispensable that some controlling questions of general policy shall be determined. Shall taxation and sale of public land be the only means of meeting the liabilities of the Treasury? Or shall borrowing be an additional source?

The preceding view results in this consideration that double the amount of the preceding tax (exclusive of the loan tax) would be required for three years to liquidate the positive indebtedness without interest. This conclusion is expressed without pretension to precise accuracy but without doubt of its practical correctness.

The process of collection and disbursement of taxes would not be satisfactory because the burden would be borne without accomplishing either prompt restoration of State credit or early relief to the Treasury and its creditors while it would afford no provision for the important contingent liabilities involving the military defense and security of the State whose government would be left without adequate credit of itself and without available means of collateral security. But there is just policy in dividing with posterity the burden of taxation, considering the extraordinary circumstances which have rendered necessary its increase. And borrowing, if practicable, is the appropriate mode of alleviation from present pecuniary pressure and of providing for both certain and contingent liabilities which are beyond the reach of other means at early command. A prevailing opinion, either affirmative or negative, on the question whether a necessary amount can be borrowed, may determine the finan-

cial policy of this State for many years. Hence, the committee deems it proper to devote a large proportion of its report to this decisive question. The practicability of borrowing has not been tested under circumstances as are now presented. It may be assured by the ample resources within the State. Some trust funds have to be invested every year; considerable quantity of monies were in the State at the commencement of the present crisis, and much of it remains dormant; many citizens by sales of various products are accumulating funds beyond their current wants; and the important article of cotton has begun to find most advantageous markets in and through Mexico. The financial plan of the Confederate government for obtaining loans from the proceeds of cotton might be executed during the continuance of the blockade with peculiar advantages by the people and the government of Texas, especially by their cooperation in facilitating the sales. The transportation, which planters might not be able or willing to accomplish without aid, could be easily and certainly done by economical assistance from the government through limited agencies, credit arrangements, and pecuniary advantages as far as necessary to meet the charges of transportation within Texas. The funds to make such advances and ultimately to restore them, except a small commencement, would come from sales and loans in the course of the business, and expedition would be promoted by making some early sales at the nearest Mexican markets. After discontinuance of the blockade the advanced preparation of Texas would cause its condition to be better than equality with other states in taking the benefits of ordinary commerce; but in the meantime this State alone of all the Confederacy has an open way to foreign markets with such a demand for cotton as to justify sending it from any part of the State. The net proceeds even of the most remote portion would be greater than could be realized after cessation of the blockade. And the chief expenses would be within the State, distributed among its own citizens—the carriers by rivers, railroads, and wagons. Moreover, the return freights of reciprocal commerce would moderate the expenses on the cotton while they would largely increase the internal disbursements for transportation and supply in part the general want of various articles including bagging and rope. Many articles, however important, could not be otherwise obtained. Merchants having unemployed funds could advance to planters and otherwise conduct business as heretofore in general but by a different route so as to

relieve from current emergencies for money while aiding in the acquisition of greater quantities. Nor should there be any doubt that the Mexican ports will be placed and continued in eligible condition for general trade. The national and state governments and people of Mexico would resist a forcible interruption of the legitimate commerce of their country by the United States, especially as the latter has no important claim on the former for satisfaction. And the United States has recently taken a position against the claim of certain other powers to control the custom houses of Mexico. But the merchants of countries at peace with the United States would have their rights sustained by their respective governments while any maritime nation that might be at war with the United States would furnish convoys for its merchantmen. Interruption of the Confederate trade through Mexican ports could not be tolerated by principal European powers, especially during any serious embarrassment of trade at Confederate ports. The opposition to such interruption would be prompted by the general interests in Confederate trade and by the special interests of the English, French, and Spanish people, whose governments now have sufficient armaments engaged in a mission for securing large portions of the Mexican revenue from customs as means for payments on demands of imperious character. Increase of Confederate commerce and other intercourse with foreign countries by this route tends to provoke assailment by the enemy, but it more tends to make protection unquestionable, partly by our own forces and partly by foreign powers. Further assurance of security to trade by this route arises from reliable information that the Confederate port of Brazos, St. Iago [Brazos Santiago] is not essential to the seaward commerce of the Mexican port of Matamoros because that commerce with nearly equal facility might use the Mexican harbor inside of Barra del Tigre, distant from the mouth of the Rio Grande about forty miles by water and less from Matamoros by land, according to maps. And even a serious interruption by the enemy of our possession of the southern extremity of Texas would not balk the contemplated commerce through the port of Matamoros or that of Tigre because the crossing of the Rio Grande might be above any extent of such interruption. At worst the embarrassment would be only temporary, inasmuch as such an interruption would be speedily overcome.

Supposing all other obstacles to be obviated there is one which remains in the apprehension of some persons:

that the citizens of Texas would not purchase its bonds. Such apprehensions may be removed by a few reflections of pecuniary and patriotic import. Until a recent date, such bonds could not have successfully competed in this market with the various objects for investments which have caused extravagant prices for money. But at present the calls for speculations and ordinary investments are weak, while that of the government is strong. A new condition of things is to be considered. The State may need to borrow two million of dollars during the next two years, the process being gradual. The actual resources of the State when made available are greatly beyond any pressing wants. Allowing other demands to be fully met by 19/20th of the marketable products of the State for the two years, the other twentieth would far exceed the amount of such loan. Accumulated capital in general will refrain from ordinary investments during the war, and the time of its continuance is so uncertain that State bonds, perfectly secured for ultimate payment of principal and semi-annual payment of interest at the rate of 8 per cent per annum might be welcomed as the best articles in market. Such security would be established under express provisions of the Constitution by specific tax payable in specie and beyond the power of repeal to the prejudice of such holders of bonds. Interest thus paid is practically considered equal to the rate of ten per cent in annual payments; and the bonds thus secured would be saleable after the war in distant markets at a very high rate. The proposed aid to planters in connection with the consequent profits to them could scarcely fail to insure their purchase of bonds at part during the blockade or other great embarrassment of commerce at the Confederate ports. But in case of failure of making sufficient sales of bonds at par on account of a termination of the blockade or whenever existing circumstances might make it necessary, the bonds could be sold at such lower rate as would command the loan from Texas citizens. The State could afford to give liberal terms to its own citizens rather than to foreigners; but the patriotism of citizens would forbear from severe speculation on public necessity. On the contrary, of such speculation there is no good reason to doubt that the government of the State in a great emergency might make a successful appeal to its citizens for more than a loan, even an aggregate donation greater than the amount proposed to be borrowed. But no donation is required, for a loan is patriotic enough. For any present accommodation it is most just that the State should give a full equiva-

lent whose burden would be equal and light, being borne by all the community through a long series of years by means of moderate and uniform taxation. The State has to choose between this process and heavy, prompt taxation. Prudence will be suggestive to those who have ample means, and patriotism will prompt nearly all classes. Without an early and respectable loan both the justice and the security of the State will be compromised. By such a loan the State would be immediately relieved from disparagement, and its defense would be materially strengthened while its general comfort would be greatly promoted. A limited number of citizens could soon place the State in such enviable condition without loss to themselves by means of ordinary productions. Such a demonstration might do more than any other to establish its independence—to elevate its reputation and to fortify its availability for the common success of the Confederacy. In every aspect of the subject, with reference both to means and to disposition, it would seem to be practicable for the State to borrow as much as necessary from its own citizens.

But if success be not certain, the probability will surely justify a thorough experiment, especially when the failure to make it would be an assumption of negative responsibility fraught with general dissatisfaction.

Moreover, such a proposal for a loan should be kept as a standing offer to creditors of the State in view of existing liabilities and of contingent emergencies during the present crisis. The proposal for borrowing should be identical with one for funding. If the foregoing remarks have shown that the State should have a liberal and reliable basis for borrowing money to meet the present and future pressure of the Treasury, inasmuch as such demand cannot be met by any practical taxation without unreasonable delay, and borrowing, if practicable under existing circumstances, should be preferred to pressure of taxation, surely justice and all other principles of propriety require that tender of like terms to creditors. Thus in the absence of money the State would assure its credit in the most available mode for ordinary transactions and would give to the Executive the power of using it to the possible advantage in greater emergencies.

From these premises the proper conclusion would seem to be a system combining moderate taxation and necessary provisions for borrowing two million of dollars if practicable. The *ad valorem* rate of twenty-five cents

on the hundred dollars being adopted in the revenue bill from the House, the committee recognizes this rate as the aggregate of such taxes. Of this amount the rate of four cents is considered as pertaining to the Act of the last session of the Legislature providing for a loan of one million, and no change is recommended as to that law except to modify the provision which requires proceeds of the bonds to be deposited at New Orleans and a few other particulars. It is contemplated that the tax will be collected and the bonds be in market under this law in 1862.

It is proposed that a similar law be enacted for another loan of one million but that the Governor shall determine, in view of the prospect of sale and of the demand for money, whether the bonds shall be placed in market. Should he not place the bonds in market, the rate of twenty-one cents for ordinary revenue would be collected in 1863 as previously done in 1862, but if he should determine to place the bonds in market, he would make a corresponding proclamation, and thereupon the rate of four cents would be collected under the special law for the basis of the second million loan, and the same rate would be deducted from the rate of twenty-one cents aforesaid. The necessity for taxation would be diminished as the bonds would be sold; and full success of the loans would prepare the way for the Legislature at its next regular session to make the subsequent rate very low, unless some costly calamity to the State should intervene and forbid the reduction. There is before the Senate a bill for an amendment of the law which heretofore provided for the loan of one mission. Another bill to make similar provision for another loan has been prepared, and it may be properly used either by introduction in the House or by some amendment in the Senate. The bonds may be of smaller amount than the former which are for one thousand dollars each, so that different sizes of capital may be accommodated without having any bonds so small as to be brought into the ordinary exchanges of business in competition with other kinds of paper.

The committee considers the loan bonds as more eligible for creditors, who may wish to fund their Treasury warrants, than the bonds under the Funding Act of March 20, 1861, and this Act is not practical without amendment. Under it only sixteen thousand dollars have been funded, and that amount withdraws from ordinary use (being pledged for payment of the interest upon these bonds and

as a fund for the redemption of the principal) "one-tenth of the annual revenue derivable from taxation" and "all moneys arising from the sales of Indian reserves" while there is no authority to use the money when collected in payment of the principal before the maturity of the bonds. It is recommended that this law be repealed, and in connection therewith that provision be made for liquidating the funded debt in Treasury warrants at par or in loan bonds or in money. A corresponding bill is reported.

The committee further considers the loan bonds as the best means of investing such funds as may be specially deposited in the Treasury from time to time, except those which should be kept on hand to meet calls that might be made by rightful claimants. A special fund, not in condition to be used otherwise to promote its object for a considerable time, should be safely and profitably invested with a view to the ultimate purpose of its creation; and as to public charities, such as the University fund and the school sinking fund, the State as trustee or manager might borrow on the same terms that it would allow for other monies. So the State could use and secure such funds as they might be received to the great advantage of both interests, especially to the State's credit for voluntary justness. A corresponding bill is reported.

But to remove one obstacle in the way of this policy it will be necessary to repeal "An Act providing for the investment of the Sinking Fund," approved February 13, 1860. This Act substantially changed the arrangement, which had been made for loaning the special school fund to railroad companies and amounts to a continuous investment of that fund without limit of time, instead of the previous provision for a sinking fund to close such loans. Experience may have shown that the former arrangement was more politic, especially with the addition, as proposed, of investing the sinking fund to well secured State bonds. By this means that fund as received would be for the school interest most advantageously invested while it would be actively used for most important public purposes. A bill is reported for the proposed repeal.

In this connection also the committee recommends the repeal of "An Act providing means for the payment of certain debts created by authority of the State Convention of the People of the State of Texas," approved April 8, 1861. It is understood that the object of this Act has not been attained. It proposed to borrow ninety thousand

dollars by pledging one hundred and fifty thousand dollars of the bonds and security of the Texas Central Railroad Company belonging to the school fund or an indefinite number or amount of the loan bonds of this State. For such purpose the named amount of the railroad bonds was withdrawn from the Treasury and is said to be merely deposited in New Orleans. Such a withdrawal of the railroad bonds placed them out of reach of "An Act providing for the investment of the sinking fund," which is predicated on the credit to be given on the bonds for the amount of payment thereon for the sinking fund. But if the Act last mentioned were repealed as above recommended there would still be reasons enough for repealing the Act now under consideration in order to restore the displaced railroad bonds to the Treasury, to remove from the loan bonds the color of a pledge, and to prepare the way for a better arrangement to secure and pay the debts intended to be paid by borrowing the ninety thousand dollars. A bill is presented for the proposed repeal.

Without noting other utilities of borrowing, the terms of taxation with its incidents require some further consideration. Whatever may be the rates of taxation, the subjects demand particular attention. In this report the committee will not go into tedious details as to taxable subjects, but will state its views of general principles. These are chiefly determined by the Constitution whose language on these subjects is here quoted:

Article 7, section 27—Taxation shall be equal and uniform throughout the State. All property in this State shall be taxed in proportion to its value to be ascertained as directed by law, except such property as two-thirds of both Houses of the Legislature may think proper to exempt from taxation. The Legislature shall have power to lay on income tax and to tax all persons pursuing all occupations, trade, or profession, provided that the term occupation shall not be construed to apply to pursuits either agricultural or mechanical.

This imperious direction imparts three common characteristics of taxation as to property, universality, uniformity, and equality, while the two latter qualities apply to the other subjects. As to property, the exceptions of some kinds under express legislation fortifies the general rule including all other kinds. As to occupations, trades, and professions, there is no command to tax; and while the language of authority is general, the great and con-

trolling exceptions of "pursuits either agricultural or mechanical" indicate a principle of political economy not to tax utilitarian pursuits. All such are mutual aids, and a burden on any particular or useful pursuits bears on every other in some degree, more or less affecting chiefly the agricultural and mechanical pursuits which are expressly exempted. The authority to tax persons pursuing any occupation, trade, or profession may be exercised as to such pursuits as are not useful or worse and which may be by such means partially or entirely restrained in accordance with sound policy. As to incomes, also there is authority but no command to tax. Taxation of income involves multiplied injustice and consequent dissatisfaction. To trace incomes through causes and effects so as to approach equality is impossible. And the person who may be taxed on his income not only pays the common taxes on his person and property but also an extraordinary tax in proportion to his success in the use of his property and personal ability. Moreover, taxes on persons pursuing occupations, trades, or professions and on incomes are peculiarly objectionable under a popular government because such taxation excites contestations among various interests to avoid and to impose burdens by unjust, invidious, and odious distinctions. Poll taxation is not named in the Constitution. Not being prohibited, such taxation is within the general power of legislation. The nearest practical approach to equality in taxation of polls may be found in subjecting thereto all free male persons who enjoy governmental protection and stated as real or potential heads of families and are over the age of twenty-one years.

The committee submits that correct principles of taxation should be observed as far as practicable, and that nothing less than a great emergency could be an apology for intentional departure therefrom even in particulars not controlled by express terms of the Constitution.

The assessment and collection of taxes have proved to be subjects of difficulty for legislation in past times, but experience has been useful; and in a particular report the committee makes some suggestions in connection with improvements proposed in a bill from the House with two principal objects, more thorough assessments and more efficient collections.

The credit of the State Treasury warrants and their reception for public dues in connection with specie and

Confederate notes and coupons have received much consideration by the committee with great anxiety to place the Treasury warrants at or near par with specie. But this result was found to be impracticable without confining the receipts for public dues to Treasury warrants and specie. Such a restriction would impose difficulties too great to be borne in meeting the public demand, and this committee in conforming with the general policy of the House bill on this subject has acquiesced in the necessity of indiscriminately receiving Treasury warrants, Confederate notes, and coupons, and specie for all public dues of the State, counties, cities, and towns, except for specific taxes to pay interest and principal of loans and except for sinking fund and interest on loans of the school fund to railroad companies.

The general reception of such various funds imposes a necessity for some law to regulate the disposal of them under all the different circumstances which may attend them throughout the State.

The necessary issuing and use of Treasury warrants to considerable amounts, especially during the next two or three years, renders it proper to facilitate such issuing and use by prescribing a mode for issuing them and providing blanks therefor.

Each bill from the House has been or will be separately reported with appropriate particulars. These bills and others reported by this committee containing particular measures connected with the general subject of finance will constitute a series for consideration with mutual reference to each other. The Constitution fortunately requires separation of objects in legislation, but one consequence in the present state of our financial legislation is a necessity for taking a systematic view of many measures when considering any one of those which are of principal importance.

The foregoing outline of the condition and prospect of the Treasury and of financial measures having received general approval of the committee is respectfully submitted.

PRYOR LEA, Chairman

January, 1862

On motion of Mr. Weatherford the Senate adjourned until 9½ o'clock A. M. tomorrow.